

Presale:

# GTE Auto Receivables Trust 2019-1

October 31, 2019

## Preliminary Ratings

Class	Preliminary rating	Type	Interest rate	Preliminary amount (mil. \$)	Legal final maturity date
A MM	A-1+ (sf)	Senior	Fixed	36.31	Dec. 15, 2020
A-2	AAA (sf)	Senior	Fixed	58.19	Dec. 15, 2022
A-3	AAA (sf)	Senior	Fixed	52.94	Aug. 15, 2024
B	A- (sf)	Subordinate	Fixed	22.31	June 16, 2025
C	BBB- (sf)	Subordinate	Fixed	5.25	Nov. 15, 2027

Note: This presale report is based on information as of Oct. 31, 2019. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities.

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## Profile

Expected closing date	Nov. 26, 2019.
Collateral	Prime auto loan receivables.
Issuer	GTE Auto Receivables Trust 2019-1.
Sponsor, originator, seller, servicer, and administrator	GTE Federal Credit Union.
Depositor	GTE Auto Funding LLC.
Indenture trustee, paying agent, and backup servicer	U.S. Bank N.A. (AA-/Stable/A-1+).
Owner trustee	Wilmington Trust N.A. (A/Stable/A-1).
Initial purchaser	Stifel Nicolaus & Co.

## Credit Enhancement Summary (%)<sup>(i)</sup>

	GART 2019-1		
	Initial	Target	Floor
<b>Class A</b>			
Subordination	14.88	14.88	14.88
Reserve account	0.25	0.25	0.25

**Credit Enhancement Summary (%) (i) (cont.)**

	GART 2019-1		
	Initial	Target	Floor
Overcollateralization	5.54	5.85	5.85
Total	20.67	20.98	20.98
<b>Class B</b>			
Subordination	2.83	2.83	2.83
Reserve account	0.25	0.25	0.25
Overcollateralization	5.54	5.85	5.85
Total	8.62	8.93	8.93
<b>Class C</b>			
Subordination	0.00	0.00	0.00
Reserve account	0.25	0.25	0.25
Overcollateralization	5.54	5.85	5.85
Total	5.79	6.10	6.10
Estimated annual excess spread(ii)	2.15		
Initial aggregate receivables balance (\$)	185,272,500		
Total notes (\$)	175,000,000		

(i)Percentage of the initial aggregate pool balance. (ii)Estimated annual excess spread before note pricing. The estimates include the 1.00% servicing fee. GART--GTE Auto Receivables Trust.

**Rationale**

The preliminary ratings assigned to GTE Auto Receivables Trust 2019-1's (GART 2019-1's) asset-backed notes reflect our view of:

- The availability of approximately 21.1%, 10.2%, and 7.9% credit support (including excess spread) for the class A, B, and C notes, respectively, based on our stressed cash flow scenarios. These credit support levels provide coverage of more than 5.15x, 3.25x, and 2.50x our 2.90%-3.10% expected cumulative net loss (CNL) range for the class A, B, and C notes, respectively (see the Cash Flow Modeling Assumptions And Results section for more details).
- Our expectation that under a moderate 'BBB' stress scenario, all else being equal, our ratings on the notes will remain within one rating category of our ratings for the class A notes and within two rating categories for the class B and C notes in the first year. The class C notes, with a preliminary rating of 'BBB- (sf)', may eventually default under a 'BBB' scenario. This is in line with our ratings stability criteria (see "Methodology: Credit Stability Criteria," published May 3, 2010).
- The timely interest and principal payments made under stressed cash flow modeling scenarios consistent with the assigned preliminary ratings.
- The credit enhancement in the form of overcollateralization, a reserve account, subordination for the more senior notes, and excess spread (see the Credit Enhancement Summary table above for details).

- The credit quality of the underlying pool, which consists of prime automobile loans that, as of the cut-off date, had a weighted average non-zero FICO score of 727 and a minimum non-zero FICO score of 500 (see the Pool Analysis section for more information).
- The composition and credit quality of the series 2019-1 pool, loss projections based on our review of GTE Federal Credit Union's (GTE's) origination static pool data, a peer comparison of the collateral and origination static pool data, the performance of GTE's managed portfolio, and our forward-looking view of the U.S. economy.
- GTE's servicing experience and its loan origination, underwriting, collections, and operational profile.
- The transaction's payment structure, cash flow mechanics, and legal structure.

## **Key Rating Considerations**

Based on our review of GTE's operations and performance history, and securitization pool characteristics, we considered the following strengths in rating this transaction:

- GTE, as a federal credit union (FCU), is regulated, insured, and supervised by the National Credit Union Administration (NCUA), who establishes, along with other regulations, capital and liquidity rules that GTE needs to follow.
- GTE has been in existence since 1935 and has decades of experience providing diversified personal and business banking products and services, including savings, checking, credit cards, mortgage, merchant services, insurance, investment, and student and auto loans.
- Managed portfolio performance data that include the years around the last recessionary period (2007-2009).
- As of June 30, 2019, GTE has total assets of \$2.12 billion (37% of which is comprised of auto loans) and capitalization of \$179.5 million, with a net worth ratio of more than 8% for the past five years.
- The collateral pool has a weighted average non-zero FICO score of 727.
- Robust levels of credit enhancement compared with other prime issuers at a similar expected loss level that mitigate the collateral pool's extremely high geographic concentration in Florida of approximately 98% (see Pool Analysis and Peer Comparison section).
- Backup servicer: U.S. Bank, National Association (AA-/Stable/A-1+), is the backup servicer, indenture trustee and paying agent, with data mapped for GTE's servicing system. We believe this enables a smoother servicing transition to the backup servicer, if necessary.

In addition to the strengths outlined above, we considered the following risks:

- Extremely high geographic concentration of its obligor base. Approximately 98% of the loans were originated in and around the Tampa, Fla. region.
- High concentration of loans greater than 72 months comprising over 62% of the aggregate pool. Approximately 31% of the pool is comprised of loans with original terms of 73-75 months, and another 31% has terms of 75-84 months. GTE has provided origination static pool performance data beginning with 2012. For the 75-84 month loans, given the longer term, in our view, the data are somewhat limited with meaningful origination and performance data only from 2013.
- Higher performance volatility as a result of the Great Recession in years 2008-2009 due to the

geographic concentration in the Tampa region.

GTE provided overall managed portfolio performance dating back to 2005 that showed, in our view, higher than average volatility in losses compared with other geographically diversified originators' performance during the Great Recession. During this time, the Tampa region also experienced a more severe economic decline compared with other regions in the U.S., including impacts on real estate prices and higher unemployment rate. However, currently, the Tampa region is viewed as economically stronger compared with the national average in terms of unemployment rate, future job growth, and friendly business environment.

Despite the positive near-term outlook for the region, geographically concentrated portfolios can be riskier due to the potential for greater localized economic downturns or disasters (e.g. hurricanes) that may adversely impact the pool's performance. To address this extremely high geographic concentration and the potential risk that it poses, we assumed higher ratings-appropriate stress scenarios that would provide higher levels of loss coverage than those we would normally consider for a more diversified prime pool with similar credit characteristics.

### **NCUA Securitization Safe Harbor Opinion**

On June 21, 2017, The NCUA's Office of General Counsel provided their opinion that, consistent with the Federal Credit Union Act and NCUA's regulations, an FCU has the authority to issue and sell securities incidental to its operation. Current regulations allow the safe harbor treatment of any assets transferred in connection with a securitization. GTE is the first known publicly rated FCU seeking to execute an auto loan securitization under the aegis of this opinion.

## **GTE Federal Credit Union**

GTE (doing business as GTE Financial) is an FCU regulated and insured by the NCUA. Originally incorporated as Peninsula Telephone Employees Federal Credit Union and granted Charter Number 196 by the NCUA in 1935, the company became GTE in 1958 and has been doing business as GTE Financial since 2012.

GTE provides a wide variety of deposit and lending services to its members who primarily reside in the Tampa region. As an FCU, GTE is a not-for-profit organization owned by its members. GTE is headquartered in Tampa with additional Florida locations in Brandon, Crystal River, Hudson, Lakeland, Lutz, St. Petersburg, Ocala, Clearwater, Plant City, Sarasota, Seffner, Seminole, South Tampa, and New Port Richey.

### **Origination**

GTE provides direct (approximately 30%-35%) financing for auto loans through applications accepted via internet, phone, and in-branch channels and also indirectly (approximately 65%-70%) originates auto loans through franchised and independent dealerships with whom they have relationships. GTE has agreements with various franchised dealerships that sell both new and used vehicles and also with certain dealerships that sell used vehicles.

All receivables included in this securitization were either directly originated in electronic format or were indirect paper contract originations that were converted by GTE into electronic form with the original paper versions subsequently being destroyed. These electronic contracts are stored in the 2019-1 e-Vault by eOriginals Inc., the e-Vault provider. The securitized pool's contracts are marked on the relevant computer files to indicate their transfer to GART 2019-1 and the pledge of those receivables to the indenture trustee. All of the contracts satisfy the UCC requirement for control of the electronic contracts. GTE has provided an electronic contract opinion for the indirect

loans as well as representations for perfection by control.

## **Underwriting**

GTE has policies and procedures in place to regulate the various aspects of its underwriting and credit decision process. GTE's underwriting approach is intended to gauge their applicants' ability and willingness to repay the loan amount, and determine if the financed vehicle as collateral of the financed vehicle loan is adequate. Each prospective obligor provides general demographic information, financial information, and employment history as part of the loan application.

The underwriting process assigns each loan applicant to one of their seven credit tiers that are related to specified FICO score ranges. Although the FICO score is a main consideration, term, loan type, debt-to-income ratio, payment-to-income ratio, and loan-to-value ratio are also factors that are taken into account.

GTE has guidelines including criteria for credit characteristics to provide consistency in its lending decisions. They include the following:

- debt-to-income and payment-to-income ratios relative to the loan amount;
- vehicle age, vehicle type, and loan-to-value ratios; and
- minimum loan amount and maximum term specifications.

Verification of income, employment, and residence may also be required depending on the risk level of the applicant. Other factors that may be considered include credit history, employment history, down payment, disposable income, and residence.

GTE utilizes a lending authority matrix that specifies authority levels with respect to credit decisions as well as monetary and underwriting limitations by product type. Loan officers are designated an underwriting authority level based on their underwriting experience, ability to make sound lending decisions, and successful completion of the minimum requirements set for each level based on GTE's loan officer certification program.

All loans at origination must have comprehensive and collision insurance coverage. GTE tracks insurance coverage throughout the life of the loan. If a loan fails to show continuing proof of adequate insurance coverage, the borrower is notified and after a few attempts that span a number of months, forced placed insurance coverage is added at the obligor's expense. Valid proof of insurance coverage by the borrower is needed for the forced placed insurance coverage to be subsequently cancelled.

## **Servicing And Collections**

GTE, as the servicer, will be responsible for managing, administering, servicing, tracking performance, and making collections/remittances on the receivables. GTE has a substantial track record of servicing and collecting auto loans and will continue to perform these duties as servicer. GTE will monitor outstanding loan balances, communicate with obligors regarding upcoming payments or past due accounts, and collect on delinquent accounts.

GTE offers multiple platforms through which obligors have the ability to make payments and service their accounts. GTE employees complete training programs in specific functions so that they can assist with members' servicing questions and requests.

GTE's collectors are segregated by product type and days delinquent. Even though collectors focus on a member's specific account, collectors are trained to collect on the member's whole account regardless of the product type (auto, mortgage, or credit cards).

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GTE has integrated automation into its early- and late-stage collection procedures to improve efficiencies. Some automated features that GTE utilizes to collect on delinquent accounts include mailed delinquency notices at various days past due and account sweeps. The automatic sweep feature sweeps members' deposit accounts on the 15th day of each month to apply funds towards delinquent accounts.

Obligors may make payments using a variety of methods, which may be modified from time to time, including automatic clearing house (ACH) debit, coupon payment books, branch payments, and a speed pay system.

### Repossessions And Charge-offs

GTE's repossession review begins between 45 and 60 days delinquent.

GTE's policy with respect to the receivables included in the securitization is to charge off as soon as GTE determines that the vehicle cannot be recovered, but not later than when the contract is 120 days contractually delinquent.

### Loan Modifications And Extensions

Collectors have the ability to approve a one-month extension. Anything more than one month is sent to GTE's "We Can Help" group. GTE's We Can Help program offers loan solutions to members who are experiencing a financial hardship that hinders their ability to make loan payments.

GTE also allows members with qualifying loans to "Skip A Pay", or skip one of their monthly payments for a fee. Qualifying members are able to skip a payment once every 366 days.

In our view, the level of GTE's extensions and loan modifications the last couple of years appear to be relatively modest if Hurricane Irma related extensions are excluded, which also impacted other issuers' extension rates with exposure to areas hit by hurricanes in 2017. The higher level of Hurricane Irma related extensions, in our view, did not translate to any higher level of losses.

## Transaction Overview

GART 2019-1 is GTE's first auto loan securitization. The series 2019-1 collateral consists of prime, fixed-rate retail vehicle installment sales contracts that are secured by new and used vehicles originated by GTE. The notes will be supported by overcollateralization, subordination, a nonamortizing reserve account, and excess spread.

Principal and interest payments on the GART 2019-1 notes are expected to begin on Dec. 16, 2019, and subsequent payments will be made on the 15th day of each month or the next business day. The notes will be paid at a fixed interest rate. All classes will receive principal sequentially (see the Transaction Structure section for more details).

The transaction is structured as a sale of the receivables from GTE (the sponsor, originator, seller, administrator, and servicer) to GTE Auto Funding LLC (the depositor). On the closing date, the depositor will then transfer all of its interest in the receivables to GART 2019-1, the issuing entity (the trust). The trust will then pledge its interest in the receivables to the indenture trustee on the noteholders' behalf (see chart 1).

Our expected CNL for the GART 2019-1 pool is in the 2.90%-3.10% range, which reflects the credit characteristics of the collateral pool, the managed portfolio historical performance, and the financial strength and servicing experience of GTE. The servicer has significant experience in consumer finance, including underwriting and risk management.

## Transaction Structure

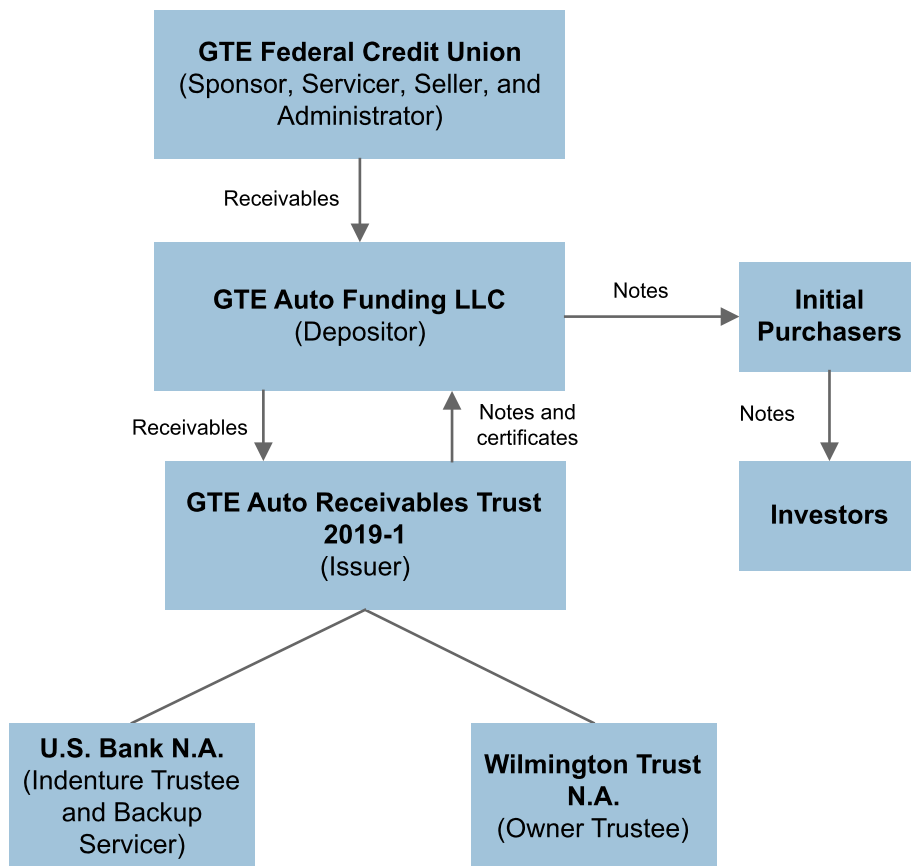
The GART 2019-1 transaction incorporates the following structural features:

- A sequential-pay mechanism among the notes that will result in increased credit enhancement for the senior notes as the pool amortizes;
- Subordination of 14.88% and 2.83% for the class A and B notes, respectively;
- Initial overcollateralization of 5.54%, building to a target of 5.85% of the initial pool balance, which is also the overcollateralization floor; and
- A nonamortizing reserve fund that will equal 0.25% of the initial pool balance.

The transaction structure is shown in chart 1.

Chart 1

### Transaction Diagram



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In rating this transaction, S&P Global Ratings will review the relevant legal matters outlined in its criteria.

## Payment Structure

Distributions will be made from available collections according to the payment priority shown in see table 1.

Table 1

### Payment Waterfall

Priority	Payment
1	Servicing fee of 1.00% per year.
2	If the backup servicer becomes the servicer, one time successor servicer fee of \$100,000.
3	Indenture trustee, owner trustee, backup servicer, successor administrator (if any), successor custodian (if any) and rating agency fees.
4	Expenses and indemnifications to the owner trustee, the backup servicer (acting as backup or successor servicer), and the indenture trustee, capped at \$150,000 annually.
5	Class A note interest to the class A noteholders, pro-rata.
6	First priority principal distributable amount (if the class A notes' outstanding amount exceeds the pool balance), paid sequentially.
7	Class B note interest to the class B noteholders.
8	Second priority principal distributable amount (if the class A and B notes' outstanding amount exceeds the pool balance) minus any amount allocated to pay item 2 above, paid sequentially.
9	Class C note interest to the class C noteholders.
10	Third priority principal distributable amount (if the class A, B, and C notes' outstanding amount exceeds the pool balance) minus any amount allocated to pay item 2 above, paid sequentially.
11	To the reserve account, any additional amounts required to restore it to its specified reserve account balance.
12	Principal, paid sequentially, to achieve the specified overcollateralization amount (the regular principal distributable amount).
13	To the owner trustee, indenture trustee, back up servicer, successor servicer (if any) and administrator, fees and expenses not previously paid.
14	Any remaining available funds to the certificateholders.

### Events of default

The occurrence of any of the following events will constitute an event of default under the indenture:

- A default in the payment of interest due on any note of the controlling class that continues for five business days or more.
- A default in the payment of the principal of any note on its final scheduled payment date or redemption date.
- Any failure by the issuing entity to duly observe or perform any of its covenants or agreements or a breach of any of its representations or warranties, which failure or breach has a material adverse effect on the noteholders and which continues unremedied for a period of 60 days after notice.



- The occurrence of certain events (which, if involuntary, remain unstayed for a period of 60 consecutive days) of bankruptcy, insolvency, receivership, or liquidation of the issuing entity.

**Payment distribution after an event of default**

Following an event of default, the payment priorities will change. On each payment date after the notes have been accelerated following an event of default, the indenture trustee will distribute the available funds according to the payment priority shown in table 2.

Table 2

**Payment Waterfall Following An Event of Default**

<b>Priority</b>	<b>Payment</b>
1	To the servicer, the servicing fee for the related collection period and all accrued and unpaid servicing fees with respect to any prior collection periods;
2	On a pro rata basis, to the owner trustee, indenture trustee, the rating agencies and the backup servicer, any successor servicer, any successor administrator and any successor custodian, fees, expenses and indemnification amounts(uncapped).
3	Pro rata, class A interest.
4	Class A MM principal until paid in full.
5	Class A-2 and A-3 principal, pro rata, until paid in full.
6	Class B note interest.
7	Class B note principal until paid in full.
8	Class C note interest.
9	Class C note principal until paid in full
10	To the administrator, any administrator fee not previously paid.
11	Any remaining funds to the certificateholders.

**Servicer default**

Any of the following events will constitute a servicer default:

- The servicer's failure to deliver any required payment to the indenture trustee for deposit in the collection account or reserve account that remains remedied for five business days;
- The servicer's failure to observe or perform any covenants or agreements, other than the NCUA Rule Covenant, that materially and adversely affects the rights of the noteholders or certificateholders and continues unremedied for 90 days;
- At any time when GTE is the servicer, the occurrence of a Servicer Net Worth Event (see below);  
or
- An occurrence of an insolvency event with respect to the servicer.

Servicer Net Worth Event means, as of the last day of any calendar quarter, that the net worth of the servicer is less than 4% of the total assets of the servicer, each as represented in the quarterly call report provided to the NCUA by GTE.

If a servicer default occurs as a result of the occurrence of any of the first three items listed above, a majority vote by the noteholders of the controlling class may terminate the servicer's rights and obligations.

## Managed Portfolio

GTE is the receivables' originator, sponsor, and servicer. As of June 30, 2019, GTE's serviced portfolio consisted of direct and indirect auto receivables totaling \$834 million, a 20.22% year-over-year increase from the \$694 million receivables outstanding as of June 30, 2018. As of June 30, 2019, total 30-plus day delinquencies decreased to 0.97% from 1.16% a year earlier. Annualized net charge-offs, as a percentage of the average principal balance outstanding, decreased to 0.62% as of June 30, 2019, from 0.78% a year earlier. As shown in table 3, GTE's portfolio has been exhibiting improving loss and delinquencies performance since 2016.

Table 3

### GTE's Managed Portfolio

	As of June 30		As of Dec. 31				
	2019	2018	2018	2017	2016	2015	2014
Outstanding receivables principal balance (thousands \$)	834,293	693,995	786,792	650,846	569,857	547,000	485,142
Average receivables principal balance (thousands \$)	820,942	664,460	701,659	626,651	549,581	524,182	437,006
31-60 day delinquencies (% of outstanding balance)	0.80	0.86	0.90	1.41	1.58	1.57	0.96
61-90 day delinquencies (% of outstanding balance)	0.11	0.19	0.12	0.30	0.34	0.40	0.35
90-plus-day delinquencies (% of outstanding balance)	0.06	0.11	0.14	0.19	0.23	0.32	0.38
Total 30-plus-day delinquencies (% of outstanding balance)	0.97	1.16	1.16	1.91	2.16	2.29	1.68
Net charge-offs as % of the avg. receivables outstanding principal amount(i)	0.62	0.78	0.73	0.92	0.99	0.80	0.74

(i)Annualized.

GTE's origination characteristics, as shown in the table below, have generally shown an improving credit quality trend with higher weighted average FICO scores since 2015. Despite the trend in higher FICO characteristics, the lengthening loan terms combined with higher loan-to-value ratios also increases the credit risk profile.

Table 4

### GTE Origination Characteristics

	As of June 30		As of Dec. 31				
	2019	2018	2018	2017	2016	2015	2014
Aggregate original principal balance (mil. \$)	200.26	185.30	435.30	332.13	268.38	303.20	297.19
No. of receivables	7,641	7,253	16,710	13,789	11,635	13,884	14,029
Average original principal balance (\$000s)	32	32	32	30	29	27	26
Weighted average original term (months)	75	73	74	71	71	70	69
Weighted average APR (%)	5.16	4.46	4.63	3.83	3.66	4.27	4.04
Weighted average FICO	745	746	748	744	727	702	707

Table 4

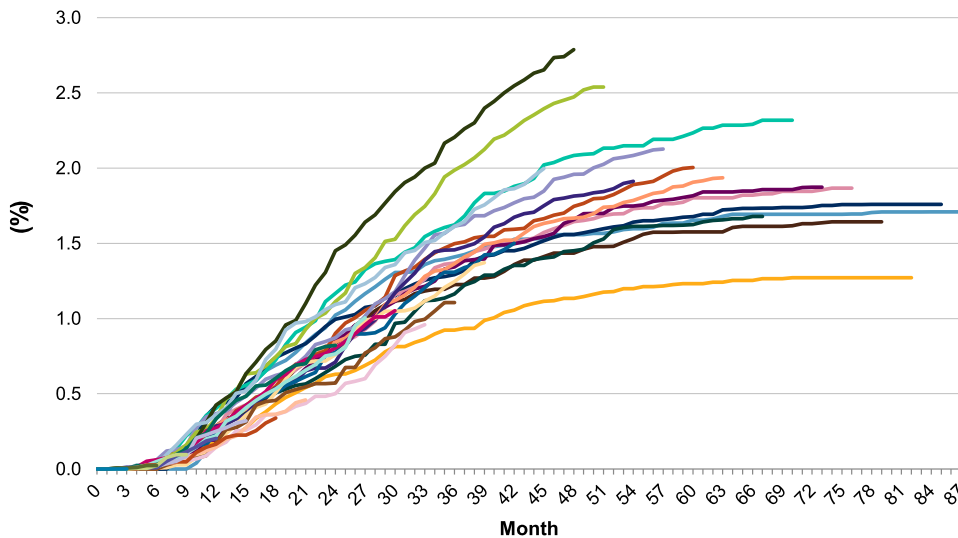
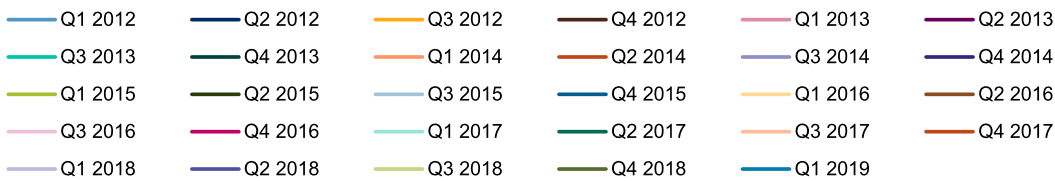
**GTE Origination Characteristics (cont.)**

	As of June 30		As of Dec. 31				
	2019	2018	2018	2017	2016	2015	2014
New vehicles (%)	25.20	38.58	42.68	36.12	30.84	27.35	28.50
Used vehicles (%)	74.80	61.42	57.32	63.88	69.16	72.65	71.50
Weighted average LTV	101.41	99.99	100.14	98.15	97.62	97.27	95.29

GTE's quarterly origination vintage CNL performance since 2012 shows losses trending higher in 2013-2015, but improving from 2016 onwards.

Chart 2

**Quarterly Origination Vintages | Cumulative Net Loss Performance**



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**Pool Analysis and Peer Comparison**

As of the Sept. 30, 2019, cut-off date, the securitized pool consisted of \$184.89 million with a weighted average FICO of 727 with a minimum non-zero FICO cutoff of 500, a weighted average loan-to-value ratio of approximately 92.93%, and approximately nine months of weighted average seasoning.

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We compared GART 2019-1's collateral pool with peers in the prime auto loan sector for which we have a similar expected CNL range. As with recent bank-originated auto loan securitizations, there are loans with original terms greater than 72 months and some as long as 84 months in this pool. Loans with terms greater than 72 months comprise approximately 62% of the pool.

We compared GART 2019-1's collateral pool with that of two other transactions, Bank of the West Auto Trust 2019-1 (BWSTA 2019-1) and World Omni Auto Receivables Trust 2017-A (WOART 2017-A) in the prime auto loan sector for which we have a somewhat comparable expected CNL range (see table 5). GART 2019-1 exhibits a weighted average FICO that is similar with the WOART 2017-A transaction but almost 90% of WOART 2017-A's pool consists of new vehicle loans compared to GART 2019-1's 33% of new vehicle loans. GART 2019-1 also contains approximately 31% of loans with 75-84 month terms where WOART 2017-A has none. BWSTA 2019-1 contains approximately 96.3% of contracts with original terms greater than 60 months, which is more than the GART 2019-1 pool. BWSTA 2019-1's weighted average FICO of 736 is higher than that of GART 2019-1.

Table 5

**Collateral Comparison**

	<b>GART 2019-1</b>	<b>BWSTA 2019-1</b>	<b>WOART 2017-A</b>
Receivables balance (mil. \$)	184.89	769.9	1,371.46
No. of receivables	9,274	27,019	64,939
Avg. loan balance outstanding (\$)	19,936	28,493	21,119
Weighted avg. APR (%)	5.60	6.19	4.29
Weighted avg. original term (mos.)	74	77.8	70.22
Weighted avg. remaining term (mos.)	65	66.8	63.99
Weighted avg. seasoning (mos.)	9	11.0	6.23
Weighted avg. FICO score	727	736	724
Original term (%) more than 60 mos.	89.48	96.3	81.06
Original term (%) more than 75 mos.	30.77	NA	0.00
Weighted avg. LTV(ii)	92.93	108.5	NA
New vehicles (%)	32.91	54.3	89.57
Used vehicles (%)	67.09	45.7	10.43
Top three state concentrations (%)	FL=97.93	CA=27	FL=49.59
	GA=0.37	NA	GA=16.95
	NC=0.17	NA	NC=14.78
Initial expected CNL(i)	2.90-3.10	2.30-2.50	1.90-2.10
Revised expected CNL	N/A	N/A	2.50-2.70

(i)All percentages are of the initial receivables balance. (ii)LTV for GART 2019-1 is defined as the amount financed divided by the manufacturer's suggested retail price, while for BWSTA and WOART it is defined as the amount financed divided by dealer invoice (cost) for new vehicles. For used vehicles, LTV is defined as amount financed divided by National Automobile Dealers Assn. or Kelley Blue Book value. GART--GTE Auto Receivables Trust. BWSTA--Bank of the West Auto Trust. WOART--World Omni Auto Receivables Trust. APR--Annual percentage rate. LTV--Loan-to-value ratio. CNL--Cumulative net loss. N/A--not applicable. NA--Not available.

We also compared GART 2019-1's corresponding credit enhancement levels to those of BWSTA 2019-1 and WOART 2017-A (see table 6 below). We believe GART 2019-1's credit enhancement levels to be robust relative to these peers even after considering their relative loss expectations.

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The robust level of enhancement for GART 2019-1 compensates for its very high geographic concentration risk and its potential for higher losses under various stress scenarios.

Table 6

**Credit Enhancement Summary Comparison (%)<sup>(i)</sup>**

	GART 2019-1			BWSTA 2019-1			WOART 2017-A		
	Initial	Target	Floor	Initial	Target	Floor	Initial	Target	Floor
<b>AAA (sf) rated class</b>									
Subordination	14.88	14.88	14.88	8.70	8.70	8.70	2.70	2.70	2.70
Reserve account	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Overcollateralization	5.54	5.85	5.85	0.75	1.60	1.60	2.25 (ii)	4.50 (iii)	1.00 (iv)
Total	20.67	20.98	20.98	9.70	10.55	10.55	5.20	7.45	3.95
<b>AA- (sf)/AA (sf) rated class<sup>(v)</sup></b>									
Subordination	N/A	N/A	N/A	5.30	5.30	5.30	N/A	N/A	N/A
Reserve account	N/A	N/A	N/A	0.25	0.25	0.25	0.25	0.25	0.25
Overcollateralization	N/A	N/A	N/A	0.75	1.60	1.60	2.25 (ii)	4.50 (iii)	1.00 (iv)
Total	N/A	N/A	N/A	6.30	7.15	7.15	2.50	4.75	1.25
<b>A- (sf) rated class</b>									
Subordination	2.83	2.83	2.83	2.70	2.70	2.70	N/A	N/A	N/A
Reserve account	0.25	0.25	0.25	0.25	0.25	0.25	N/A	N/A	N/A
Overcollateralization	5.54	5.85	5.85	0.75	1.60	1.60	N/A	N/A	N/A
Total	8.62	8.93	8.93	3.70	4.55	4.55	N/A	N/A	N/A
<b>BBB- (sf)/BBB (sf) rated class<sup>(vi)</sup></b>									
Subordination	0.00	0.00	0.00	0.00	0.00	0.00	N/A	N/A	N/A
Reserve account	0.25	0.25	0.25	0.25	0.25	0.25	N/A	N/A	N/A
Overcollateralization	5.54	5.85	5.85	0.75	1.60	1.60	N/A	N/A	N/A
Total	5.79	6.10	6.10	1.00	1.85	1.85	N/A	N/A	N/A
Estimated annual excess spread <sup>(vii)</sup>	2.15			2.32			3.75		

(i)Percentage of the initial aggregate pool balance. (ii)2.25% of initial pool balance. (iii)4.50% of current pool balance. (iv)1.00% of initial pool balance. (v)BWSTA 2019-1's class B is rated 'AA- (sf)' and WOART 2017-A's class B is rated 'AA (sf)'. (vi)GART 2019-1's class C is rated 'BBB- (sf)' and BWSTA 2019-1's class D is rated 'BBB (sf)'. (vii)Estimated annual excess spread before note pricing. GART--GTE Auto Receivables Trust. BWSTA--Bank of the West Auto Trust. WOART--World Omni Auto Receivables Trust. N/A--Not applicable.

**S&P Global Ratings' Expected Loss: 2.90%-3.10%**

To derive the base-case loss for the transaction, we analyzed quarterly origination static pool data in aggregate as well as broken out into various two-dimensional credit tiers (FICO, vehicle condition, loan-to-value ratio, and term) consistent with this pool of receivables. We used the issuer's historical loss curves to develop expected net loss projections for each of the outstanding tiers/cohorts. A major factor in our expected loss analysis was consideration of the high percentage of longer-term loans. Approximately 31% of the loans in the series 2019-1 pool have

original terms of 73-75 months, and an additional 31% have terms of 76-84 months. In our view, meaningful origination of 76-84 month term loans began only in 2013 and their limited performance data, therefore, factored into our expected loss analysis for this pool.

Based on our review of the issuer's origination static pool data and the composition of the series 2019-1 pool, a peer comparison of the collateral pool, and static pool data, the performance of GTE's managed portfolio data, and our forward-looking view of the economy, we expect the GART 2019-1 transaction to experience a CNL in the range of 2.90%-3.10%.

## Cash Flow Modeling Assumptions And Results

Cash flow modeling tests the availability and timing of excess spread, which can be affected by many factors, such as the absolute level and timing of defaults, the speed of prepayments, timing lags in payments, and the collateral term. We modeled the transaction to simulate stress scenarios commensurate with the preliminary 'A-1+ (sf)', 'AAA (sf)', 'A- (sf)', and 'BBB- (sf)' ratings (see table 7). We used both front- and back-loaded loss curve scenarios to test the transaction structure, given the pool's weighted average remaining term of approximately 65 months.

Table 7

### Cash Flow Assumptions And Results

	Class		
	A	B	C
Scenario (preliminary rating)	AAA (sf)	A- (sf)	BBB- (sf)
<b>Cumulative loss timing by months (12/24/36/48/60) (%)</b>			
Front-loaded loss curve	35/65/85/100	35/65/85/100	35/65/85/100
Back-loaded loss curve	25/50/70/85/100	25/50/70/85/100	25/50/70/85/100
Voluntary ABS (%)	1.70	1.60	1.50
Recoveries (%)	50	50	50
Servicing fee (%)	1.00	1.00	1.00
<b>Approximate break-even net loss levels (%)<sup>(i)</sup></b>			
Front-loaded loss curve	21.1	10.2	7.9
Back-loaded loss curve	21.2	10.3	8.0

<sup>(i)</sup>The maximum cumulative net losses on the pool that the transaction can withstand without triggering a payment default on the relevant class of notes.

Under both the front- and back-loaded loss curve scenarios, the break-even net loss results show that the available credit support for the notes provide coverage appropriate for the assigned preliminary ratings.

## Sensitivity Analysis

In addition to running break-even cash flows, we ran sensitivity scenarios to see how the ratings on the notes could be affected by losses under a moderate 'BBB' scenario particular for this issuer. Due to the significantly high concentration risk inherent in this loan pool, our 'BBB' moderate stress scenario incorporates a higher multiple of loss than what we would generally apply to a more diversified pool. For these sensitivity scenarios, we also applied both front- and

back-loaded loss curves (see table 8 and chart 3).

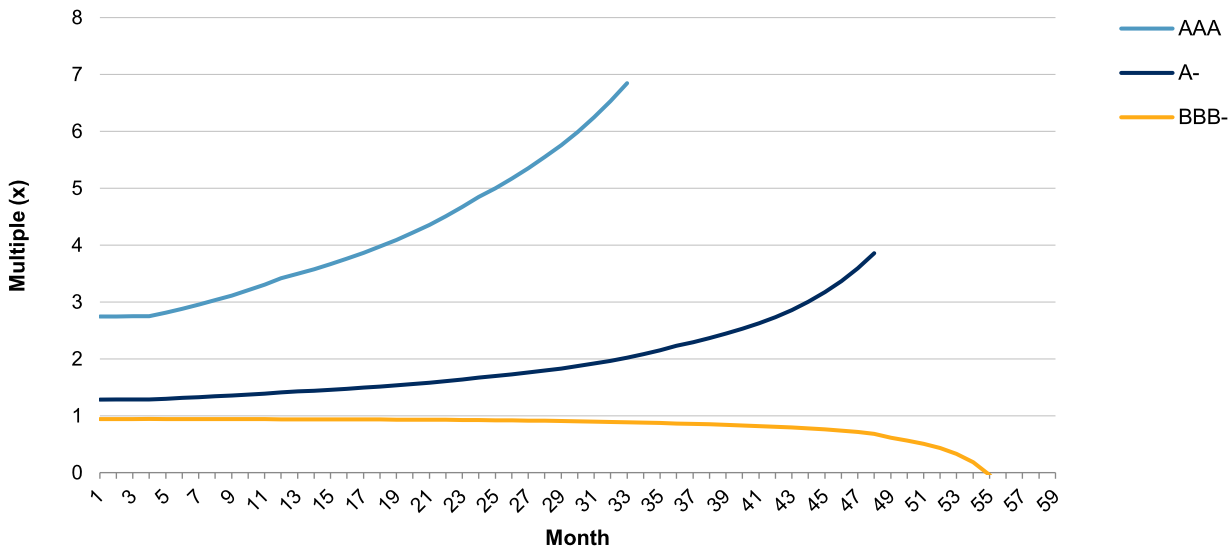
Table 8

**Sensitivity Analysis Summary—Moderate (BBB) Loss Scenario**

Cumulative net loss level (%)	8.25
Cumulative loss timing by months outstanding (12/24/36/48/60) (%)	25/50/70/85/100
Voluntary ABS (%)	1.50
Recoveries (%)	50
Servicing fee (%)	1.00
<b>Potential rating decline</b>	
Class A ('AAA (sf)')	No more than one category
Class B ('A- (sf)')	No more than two categories
Class C ('BBB- (sf)')	No more than two categories in the first year and eventual default

Chart 3

**Sensitivity Analysis--Coverage Multiple**



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In our view, under our moderate stress scenario, all else being equal, we expect our ratings on the class A and B notes to remain within one rating category of our preliminary 'AAA (sf)' ratings and two rating categories of our preliminary 'A- (sf)' rating, respectively. For the class C note, we expect the rating to remain within two rating categories of our preliminary 'BBB- (sf)' rating within the first year before eventually defaulting with approximately 89% principal repayment. This is consistent with our credit stability criteria (see "Methodology: Credit Stability Criteria," published May 3, 2010).

## Money Market Tranche

The proposed money market tranche (class A MM) has a legal final maturity date of Dec. 15, 2020. To test whether the money market tranche can be repaid by then, we ran cash flows using assumptions to delay the principal collections during the time period. We assumed zero defaults and a 0.25% absolute prepayment speed for our cash flow run. Based on our cash flow runs, approximately 12 months of principal collections would be sufficient to pay off the money market tranche.

## Legal Final Maturity

To test the legal final maturity dates for the mezzanine tranches (i.e., classes A-2 through B), we determined the date on which the respective notes would fully amortize in a zero-loss, zero-prepayment scenario, then added three months to the result. For the longest-dated security (class C), we added 12 months to the tenor of the longest receivable in the pool to accommodate extensions on the receivables. Furthermore, in the break-even scenario for the rating level, we confirmed that there was sufficient credit enhancement both to cover losses and to repay the related notes in full by their legal final maturity date.

## Related Criteria

- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Criteria | Structured Finance | ABS: General Methodology And Assumptions For Rating U.S. Auto Loan Securitizations, Jan. 11, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

## Related Research

- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

In addition to the criteria specific to this type of security (listed above), the following criteria



articles, which are generally applicable to all ratings, may have affected this rating action:

"Counterparty Risk Framework: Methodology And Assumptions," March 8, 2019; "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?", March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.

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